

Background

Almost one year ago, on December 17, 2008, the State froze thousands of grant projects supported by General Obligation Bond measures (Proposition 84 and others) and stopped authorization of new bond-funded grants as a means of preserving cash flow during the State's fiscal crisis. The freeze affected all of the SNC's awarded grants and pending grant applications.

Two bond sales completed in March and April, 2009, resulted in enough funding for approximately two-thirds of the SNC's frozen bond-funded grant projects to be restarted. The funding for restart came from two distinct sources: California General Obligation Bonds and Build America Bonds (BAB).

BAB bonds were subsidized by the federal government, so the dollars resulting from their sale have constraints that General obligation bond sale proceeds do not have. BAB funding is restricted to use for on-the-ground "capital" projects (basically the equivalent of our **Competitive** or **SOG Category 1** projects) and reimbursement of direct capital costs only. General Obligation Bond funding can be used for a wider variety of activities and working capital projects, such as pre-project environmental work, outreach/education, monitoring, research, and most kinds of planning projects (primarily our **SOG Category 2** projects).

The SNC received approximately \$9 million between the two earlier bond sales, which, unfortunately, was not enough to fully fund the \$13 million remaining commitment to our existing authorized projects. At the September 23rd Board meeting staff outlined the process used to restart frozen projects. To be as fair as possible, we focused first on existing FY 2007-08 projects that were already in progress when the freeze was enacted. Projects authorized in December 2008 were told they could start work with non-State funding if they were able, but with no promise as to when the State would be able to reimburse them for eligible costs (although they would be next in line once FY 07-08 projects were fully funded).

The situation was a little more uncertain for the remaining Competitive and second round of Strategic Opportunity Grant applications from FY 2008-09. To preserve as much flexibility as possible in the hopes that new money would become available later in the year, the Board acted in March to extend the life of all remaining applications – Competitive and SOG – to December 31, 2009. Those applications normally would have expired on June 30, 2009, the end of the fiscal year.

At the September meeting, the Board directed staff to bring this issue back again in December to be sure we had all available information in hand, including the outcome of the October bond sale. Staff has included two separate action items on this issue for discussion later in the meeting: Agenda Item IX Strategic Opportunity Grants and Agenda Item X Conditional Approval of Competitive Grants.

Current Status

On Monday, November 2, the SNC received information that although the October bond sale did not go as well as initially anticipated, it did generate enough unrestricted funds to cover the remaining balances on the working capital projects that were restarted at 50 percent, as well as the total needs of the first round of SOG projects authorized in December. This means that all of the FY 2007-08 grant projects can restart with the knowledge that we have funds available for their completion, and the December 2008 authorized grants can now officially start. Grantees in both categories have been notified of the good news.

As a reminder, based on the two earlier bond sales, SNC Program Staff began working with grantees in September to inform them of their restart options and to amend deliverable schedules, budget and project end dates to reflect changes brought about by freeze delays. The restarted project totals broke down as follows:

- 57 are BAB-eligible capital projects from FY 2007-08, which have been restarted with 100 percent of their remaining balance in hand;
- 85 from FY 2007-08 are not eligible for BAB funds, so they were given the option to restart project work with up to 50 percent of the remaining balance available to them at this time, with the remainder to come from a future bond sale; and
- 31 authorized in the first round of FY 2008-09 (December 2008) remain frozen until the State sells additional unrestricted bonds and releases the proceeds for our use.

SNC Grants Administration Staff is expediting invoices so that grantees receive their funding as quickly as possible. As of the end of October, Grants Administrative Staff had processed 245 invoices for approximately \$2.9 million.

We are very pleased that the October sale generated the funds we needed to fully fund our existing authorized projects. Unfortunately, the news is not very good regarding future bond sales for potential new authorizations. There is speculation that there will not be another bond sale to generate funds for new resource-based projects until sometime next year, although no official word has been received on this matter.

Next Steps

Separate agenda items for this meeting address the final disposition of the remaining applications from FY 2008-09: Agenda Item IX Strategic Opportunity Grants and Agenda Item X Conditional Approval of Competitive Grants.

The Board has approved Grant Guidelines for FY 2009-10, which we will post on our Web site and use in a solicitation for new applications as soon as we receive word that new funding will be made available. We do not have an anticipated roll out date for future rounds of grant applications at this time. We will inform the Board immediately should we receive any information that indicates that new funds are available.

Recommendation

No action is needed by the Board on this item.